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The Impossible Triangle: The Commercialization Paradox of Handcrafted Experience Stores – An Analysis of the Scale-Related Chain Operation Dilemma Based on the Perler Beads Product Category

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Abstract

The offline handcrafted experiential business model has repeatedly undergone a cyclical pattern of "emergence – growth – mass store closures," making it challenging to achieve true large-scale chain expansion or capitalization. Using the Perler Beads product category as a case study and from the perspective of commercial expansion and investment value, this paper proposes an "Impossible Triangle" framework for handcrafted experiential stores: the interplay between experiential completeness, store profitability, and scalability creates structural constraints; consequently, no single business model can simultaneously satisfy investors' demands for "high profitability + high scalability + exceptional customer experience." By dissecting Perler Beads' cost structure, revenue model, and organizational characteristics, this study argues that handcrafted experiential businesses are better suited as "small but beautiful" individual ventures rather than as part of a "large and strong" chain-based sector, and it provides actionable insights for both practitioners and investors.

Keywords

Impossible Triangle; Hands-On Experience; Beads Assembly; Scale-Based Chain Operation; Commercialization; Investment Value

I. Introduction

In recent years, handicraft experience stores, such as those offering bead-based crafts, tufted textiles, and ceramic arts, have emerged as a popular online-to-offline business model. Driven by social media hype and rapid offline store openings, this trend has been followed by a wave of mass closures. According to data from the China Chain Store & Franchise Association (2025), the 12-month survival rate for such handicraft experience stores ranges between 55% and 65%, while the

36-month survival rate falls below 30%; among the surviving stores, few chain brands operate with more than 10 locations and maintain overall profitability [1].

This phenomenon is not merely a result of operational mismanagement, but rather stems from structural contradictions. The experience economy theory posits that the core value of experiential commerce lies in uniqueness and irreproducibility, qualities that inherently conflict with the standardized logic underlying chain-based businesses. While the food and beverage and retail sectors can reasonably sacrifice product integrity in exchange for profitability and scalability, the handmade experiential model hardly lends itself to this approach.

Perler Beads serves as a highly representative case study: its extremely low material costs and low entry barrier make it intuitively ideal for chain expansion; yet, in practice, the chain expansion rate remains sluggish. This dilemma can be explained by Baumol's Cost Disease: in certain service industries, labor productivity cannot be enhanced through technological advances, and the cost structure is rigidly locked in [2].

This paper investigates the following research questions: (1) What structural constraints exist for handcrafted experiential retail stores from the perspective of commercial expansion? (2) How do these constraints give rise to the "impossible triangle"? (3) What insights does the "Perler Beads Dilemma" offer for the handcrafted experiential retail sector?

II. Re-defining the "Impossible Triangle": A Commercial Perspective

2.1. The Starting Point of the Refactoring Triangle

Existing analyses have largely focused on how individual stores can balance customer experience and operational efficiency; however, the core business question remains: Can this business be scaled up? Can it generate profit? And is it worth investing in? Some scholars have identified a central paradox in experiential services: while differentiated competitiveness stems from human-centric elements that are difficult to standardize, these very elements are often the first to be sacrificed during the process of chain expansion. For handcrafted experiential offerings, the experience itself is not an add-on service but the product itself, which customers pay for precisely for this non-standardizable sense of participation and interpersonal interaction, which creates an inherent conflict with chain-based expansion strategies.

2.2. Three-Vertex Definition

Table 1. The Impossible Triangular Dimension (Commercial Perspective)

Dimension	Definition	Core Performance Metrics	Perler Beads Scenario Meaning
Experience Integrity (E)	The comprehensive experience customers receive	Average dwell time, NPS, Repeat	2–4 hours of immersive creative experience,

	in terms of duration, guidance, personalization, and atmosphere determines their willingness to pay and their likelihood of repurchasing.	Purchase Rate, Average Order Value Ceiling	color coordination guidance, personalized support, and a relaxing atmosphere
Store Profitability (P)	The return on investment level after deducting all costs for a single store	Monthly net profit, capital recovery period, ROI	Covering rental costs and labor amortization; the investment is only attractive when the initial investment is recovered within 12 months.
Scalability (S)	Cross-city commercial district standardized store expansion capability without relying on specific individuals	Cross-store consistency, store manager dependency, standardization rate, new store survival rate	Eliminate reliance on a dedicated store manager; SOPs cover all key business decisions; new stores reach the break-even point within 6 months.

2.3. Triangular Internal Triple Tension

2.3.1. Experience Integrity vs. Scalability: The Human Dilemma

High-quality bead assembly services encompass a vast amount of tacit knowledge, such as color judgment, ironing precision, and communication etiquette that is difficult to fully codify into Standard Operating Procedures (SOPs). This tacit knowledge requires long-term transmission through mentor–apprentice relationships, which conflicts with the rapid pace of store expansion.

The catering and retail sectors can delegate human tasks to systems and centralized supply chains; however, the core of the human-centric experience lies in the companionship and interaction between individuals—and once this experience is fully standardized, its essence is directly diminished. Relevant research indicates that when service value is primarily driven by emotional engagement, improvements in efficiency will encounter a structural ceiling.

2.3.2. Experience Integrity vs. Store Profitability: The Time Dilemma

The essence of the hands-on experience lies in combining space and time for service. The full Perler Beads experience requires 2–4 hours; each workstation can accommodate only 2–3 groups of guests per day. To maintain a relaxed atmosphere, the number of workstations should not be increased excessively; the recommended service ratio should be maintained between 1:4 and 1:6. Physical constraints directly limit the maximum space utilization rate. This approach is entirely contrary to the commercial logic of the catering industry, which often prioritizes "shorter turnaround times and higher table turnover rates"; instead, it represents a high-labor-intensive, highly interactive, and customized service model.

2.3.3 Store profitability vs. scalability: The cost structure dilemma

Weak profitability at a single store does not guarantee continued profitability for the entire chain. Chain operations will incur additional costs that include headquarters

management, supply chain management, supervisor training, and brand marketing, which account for 8%–12% of total revenue.

The hands-on experience also entails three types of friction costs: ① Experience quality is a soft metric, and quality control costs, such as store audits and mystery shopper programs, can be substantial; ② High-quality store locations are rapidly depleted as businesses expand, leading to diminishing marginal sales per square meter for new stores; ③ The training period for qualified instructors and store managers ranges from 3 to 6 months, yet the talent supply cannot keep up with the pace of new store openings. A model where a single store merely breaks even is highly likely to turn into a loss when scaled-up costs are factored in.

III. Business Model Analysis for the Beads-Based Product Category

3.1. Perler Beads: "Seems like a promising chain business, but actually proves challenging to operate as a chain."

Table 2. Analysis of Chain Operation Conditions for Edamame Product Categories

Dimension	Advantage	Adverse conditions	Paradoxical nature
Material	The materials are standardized products with a simple supply chain.	Material costs account for less than 5% of the average order value; as a result, the supply chain is unable to generate significant profit margins.	Supply Chain Inefficiency Advantage
Technology	Basic Operations – Master in 3–7 Days	Color scheme and aesthetic guidance constitute tacit knowledge.	Standardized operations = Standardized experience
Space	Simple equipment and low renovation costs	The immersive atmosphere is difficult to replicate through mere interior design.	Hardware can be replicated = Atmosphere can be replicated
Customer Base	Wide audience reach – ideal for parents, couples, and best friends alike.	Average transaction value ceiling: RMB 60–150; limited room for price increases.	Broad but not deep
Flow path	Operational procedures can be documented as an SOP.	The SOP covers operations only; it does not cover the experience kernel.	Formal replicability = Substantive replicability

The success or failure of a chain business model does not depend on whether its operational processes can be standardized, but on whether, after standardization, the experiential value that drives customer willingness to pay can still be preserved. The experience economy theory emphasizes that "mass-producing experiences" is, in itself, a paradoxical rhetorical device. [3][4]

3.2. Single-Store Economic Model and Sensitivity Analysis

Take the Dou Store—a 60 m^2 facility with 12 workstations which is located in a

secondary commercial district—as an example:

Table 3. Monthly Operational Performance Calculation for Standard Pinto Beads Stores

Project	Amount (RMB/month)	Revenue share
Experience Revenue (Average of 15 users per day, average order value: ¥100, over 26 days)	39000	100%
Cost of materials	1950	5%
Rent	10800	27.7%
Human Resources (1 Store Manager + 2 Instructors)	18000	46.2%
Water and electricity miscellaneous charges	2000	5.1%
Renovation Amortization	2778	7.1%
Marketing Expenses	1950	5.0%
Monthly net profit	**1522**	**3.9%**

The store's net profit margin is merely 3.9%, making the model highly vulnerable. Conduct further customer traffic sensitivity analysis:

Table 4. Profitability Performance under Different Daily Average Passenger Flow Levels

Daily average passenger flow	Monthly net profit	Net profit rate	Capital Recovery Period
20 people	13872	26.7%	7.2 months
15 people	1522	3.9%	65.7 months
12 people	-5888	-18.9%	Unable to recover the initial investment
8 people	-15768	-75.8%	Unable to recover the initial investment

When customer traffic declined from 15 to 12 visitors per day (a decrease of 3 customers on average), the store shifted from profitability to loss-making. Factors such as the back-to-school season, weather conditions, or the opening of competing stores can all cause fluctuations of this magnitude. An investment-grade business model should be able to withstand reasonable demand volatility; however, the Perler Beads' single-store operation clearly does not meet this standard.

3.3. Diminishing Freshness: The Critical Weakness of Business Models

The handicraft experience represents a form of high-engagement, low-frequency consumption; its customer flow is primarily driven by first-time visitors, resulting in a naturally low repeat purchase rate. The store's opening period sees a surge in foot traffic, fueled by social media outreach and the advantages of the local business district; however, once the pool of potential new customers in the surrounding area has been depleted (within 6–12 months after opening), foot traffic quickly declines back to a low steady-state level.

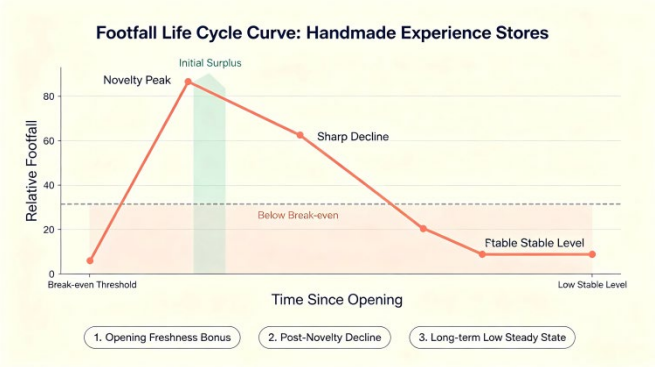


Figure 1. Typical in-store customer journey lifecycle curve for a hands-on experience store

When the steady-state customer flow falls below the break-even point, the store enters a phase of chronic attrition where it neither closes down nor generates profit. The essence of chain expansion lies in replicating multiple identical declining-curve trajectories; increasing the number of stores does not guarantee sustained, stable profitability.

IV. Why is it difficult for "small but beautiful" enterprises to evolve into "large and strong" ones?

4.1. The essence of the handmade shop: selling "creative time with companionship"

Perler Beads stores do not sell finished products; instead, they use physical spaces as containers and hands-on activities as a medium to offer an immersive experience that fosters a sense of companionship. This service aligns closely with Baumol's "Cost Disease": the number of individuals that a trainer can effectively serve per unit of time is subject to a physical upper limit, making it impossible to significantly increase per capita output through technological means [5].

4.2. Structural incompatibility with established retail chain formats

Table 5. The compatibility between the core conditions of successful chain business formats and the manual experience.

Chain Condition	Example	Handcrafted Experience Fit	Cause
Highly standardized service	McDonald's, Starbucks	low	The core value is interpersonal companionship; standardization equates to devaluation.
Supply chain cost reduction initiative	Mixue Bingcheng, MINISO	secondary	The proportion of materials revenue is too low, and the economies of scale are limited.
Production and consumption can be separated.	Pre-prepared meals, Zara	Very low	The experience must be completed in real-time on-site; it cannot be stored or transported.
Higher brand premium	Haidilao, lululemon	low	Consumers tend to anchor their prices to lower amounts.

Does not depend on any specific individual	Luckin Coffee, Uniqlo	low	High-quality customer experience relies heavily on employees' tacit knowledge.
Decreasing marginal cost	Internet Software	Very low	Each additional group of customers requires additional manpower investment; the marginal cost is virtually constant.

4.3. Three Types of Trade-off Paths for Impossible Triangles

There is no single solution that simultaneously implements all three; however, by proactively abandoning one of the vertices, three viable business models can be established:

Table 6. Evaluation of Three Trade-off Scenarios

Strategy Path	Sacrificial Dimension	Business ceiling	Suitable for the subject	Investment value
Premium Personal Studio	Scalability	Annual profit: RMB 150,000–300,000	Individuals or family businesses	No capital exit value
Shopping Mall Pop-up Store – Assembly Line Format	Experience Integrity	Multiple locations within the same city; monthly profit per location: RMB 10,000–20,000	Channel Operations Team	Finite, dependent on the traffic window period
Capital-driven, cash-burning expansion	Store profitability	Depends on the scale of financing	Equipped with a financing resources team	High uncertainty and a retreat of capital make a market crash highly likely.

V. Discussion: Implications for Practitioners and Investors

5.1. Individual practitioners

The hands-on experience business is a small-scale venture for artisans, not a large-scale entrepreneurial project; therefore, there is a clear ceiling to its income. Key operational considerations:

1. Strictly control the proportion of rental income, ideally keeping it below 25% of total revenue, and prioritize commercial spaces located in industrial parks or residential communities, leveraging online traffic to offset any disadvantages related to the property's location;
2. Build the shop owner's personal brand identity; the owner's aesthetic sense and the warmth of their service represent the most crucial competitive advantage; prioritize private customer engagement and social media management.
3. Highly cautious franchise opportunity: The profit margin per individual store is already minimal; when combined with the headquarters franchise fee and management fees, achieving profitability becomes even more challenging.

5.2. Institutional Investors

It is necessary to answer three core questions:

4. Is the scalability challenge a matter of managerial optimization, or a structural constraint arising from the nature of the business category? The evidence presented in this paper supports the latter view: the human, time, and cost dilemmas are rooted in the service-oriented nature of the business and are unlikely to be fully eliminated through operational improvements alone.
5. Is there any product category that can circumvent the "human dilemma"? Digital tools such as AI and VR can reduce reliance on human labor; however, they have already moved beyond the scope of traditional manual experiences and thus require a completely new evaluation framework.
6. If chain expansion is not feasible, are there alternative exit strategies? Approaches such as transitioning to the consumer goods retail sector or being acquired by a lifestyle group are theoretically viable; however, there are few successful domestic cases to serve as a primary basis for investment decisions.

5.3. Potential breakthrough approach: Escaping the triangular framework

True breakthroughs often don't come from optimizing operations within physical stores, but from redefining business fundamentals:

1. Perler Beads + Retail: Stores primarily sell product kits; the experience is solely intended as a customer acquisition tool for trial purchases—the experience no longer serves a profit-generating purpose;
2. Perler Beads + Content IP: Physical stores serve as filming locations; primary revenue streams come from short-video traffic and the sale of e-commerce material kits;
3. Perler Beads + Character Education: Marketed as a STEAM-based aesthetic education curriculum, priced per lesson pack—redefining the pricing model.

The above models are still in their early stages and lack mature implementation cases; they primarily represent theoretical breakthrough approaches.

VI. Conclusion

This paper develops an analysis framework for the "impossible triangle" in physical retail stores and, using Perler Beads as a case study, draws the following core conclusion:

4. The simultaneous achievement of customer experience integrity, store profitability, and scalable scale is impossible; this conflict stems from the inherent economic nature of experiential services, rather than being the result of individual brand management failures.
5. Perler Beads may appear to have a simple supply chain and low entry barrier, but its core competitive advantage lies in its companion-based, personalized

interaction, a feature that inherently resists standardized replication; however, an operational SOP is not equivalent to an experience SOP.

6. The single-store business model is highly vulnerable; even a slight decline in customer traffic can turn a profitable operation into a loss-making one. When combined with the natural attrition of customer traffic as the initial excitement of opening a new store fades, this model struggles to provide a sustainable profit foundation for chain expansion.
7. The hands-on experience approach is ideal for individual practitioners seeking a "small but beautiful" model; however, for institutional investors, the scalability barrier represents a structural constraint that warrants cautious consideration.

Handicraft experiences cater to the public's genuine demand for a slow-paced lifestyle and social companionship; however, some businesses are naturally suited for small-scale operations and are not well-suited for expanding into nationwide chains.

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